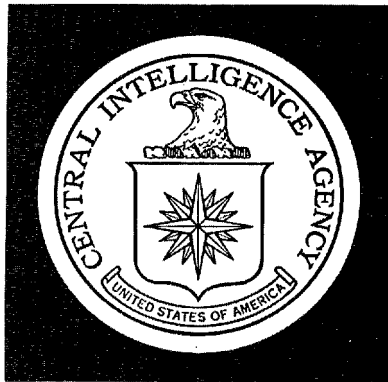


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DIRECTORATE OF  
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[ South Vietnam: President Thieu on 25 May successfully launched his new National Social Democratic Front (NSDF).

In an address to the inaugural meeting of the NSDF, Thieu emphasized that the new front is not designed to monopolize patriotism or to seek dictatorial power. The door is open, Thieu stated, for others to join the NSDF or to form opposition groupings, and he called for those who wished to participate in the anti-Communist struggle but who differed with the policies of the NSDF to organize themselves.

Appearing on stage with Thieu, who is President of the Council of Chairmen, were the leaders of the six parties which now constitute the NSDF: Ha Thuc Ky, leader of the Revolutionary Dai Viets; Senator Nguyen Gia Hien, chairman of the Greater Solidarity Force; Truong Cong Cuu, Nhan Xa chairman; Vu Hong Khanh, representing a faction of the VNQDD; Trinh Quoc Khanh, chairman of the (Hoa Hao) Social Democratic Party, and Nguyen Van Huong, chairman of the Lien Minh.

Thieu still has a long way to go before the NSDF becomes a functioning national political organization, and he may even doubt that it will ever amount to much more than a vehicle by which various political factions in South Vietnam can be provided a feeling of participation in the government process. A hint of what Thieu probably sees as the basic organizations for the struggle against the Communists came in his reference to "other important anti-Communist elements" such as the army, the civil service, and the government administration. He noted that the NSDF "will cooperate" with these forces to vanquish the Communists. ]

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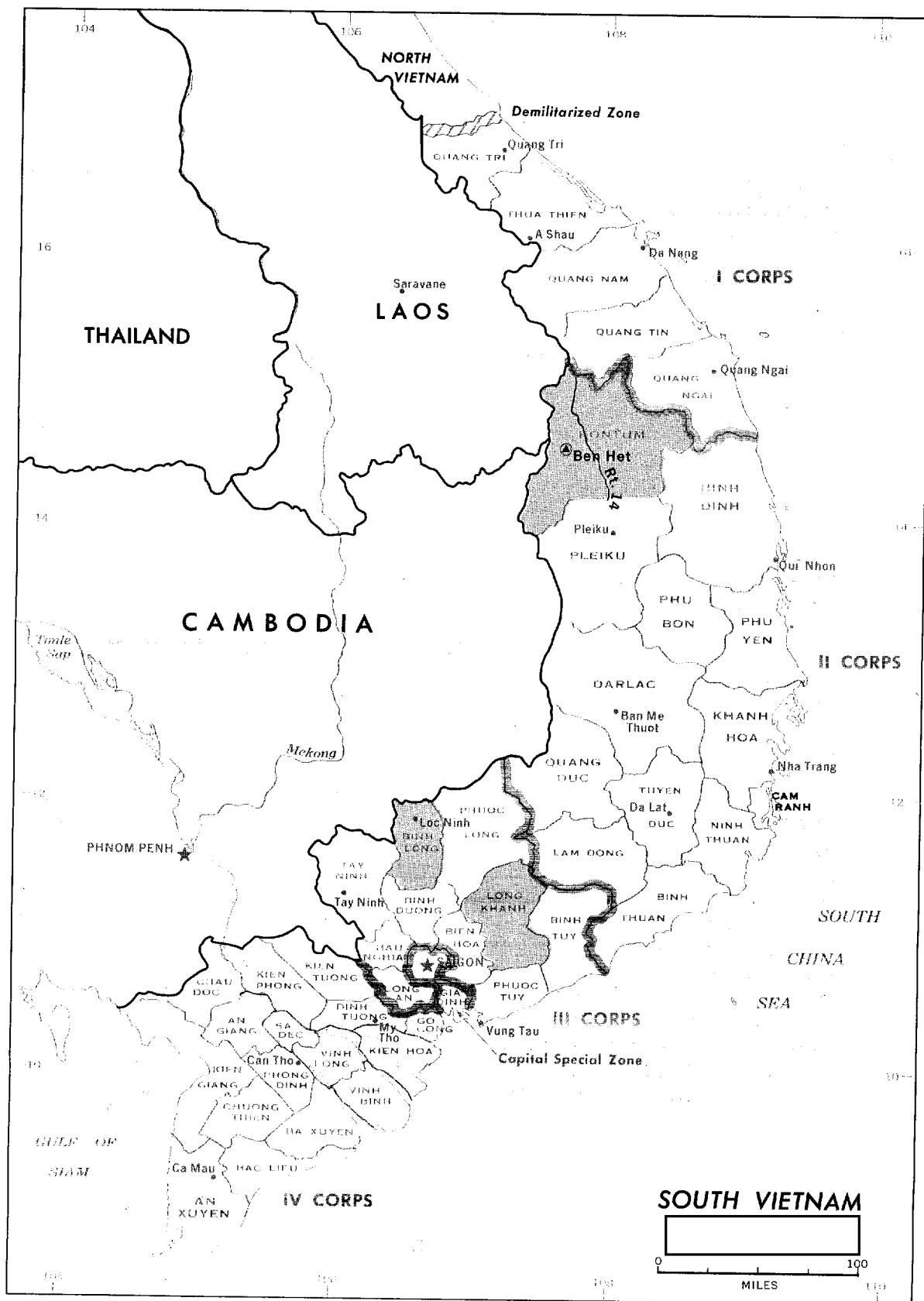
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[ Scattered but fairly stiff ground clashes accounted for most of the action over the past several days. The Communists were particularly active in the central highlands, where on 23 May they attacked a variety of targets, including the Ben Het Special Forces Camp, several South Vietnamese Army units and several hamlets. In addition, Communist forces attacked a paramilitary outpost guarding a bridge on Route 14 in Kontum Province, making the bridge impassible.

Enemy casualties were heavy in the engagements in the highlands and in III Corps, where US and South Vietnamese forces teamed up to kill 96 enemy troops in Binh Long Province. ARVN units lost 34 killed and 69 wounded, however, when they were attacked some 12 miles north of the Long Khanh provincial capital. In a series of clashes in the delta, the Communists lost a reported 211 killed compared to allied casualties of 18 killed and 58 wounded.

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Czechoslovakia: The central committee plenum scheduled for 29 May is shaping up as an important encounter in the struggle between conservatives and moderates for control of the party.

National party first secretary Husak--in office for little more than a month--is fighting to gain control of the party and to point it along an internally moderate and pro-Soviet course. He is being challenged by conservatives, led by Czech first secretary Strougal, who are now on the offensive. The conservatives wish to return to an orthodox style of Communist rule.

The Soviets, by denying Husak public support, are not making it any easier for the new leader. Moscow, for example, reportedly rejected Husak's bid for a visit before the plenum.

There have been a number of skirmishes in the struggle, largely involving the editorial staffs of various publications with a liberal bent. The conservatives seem to have won most of these, which have been limited to the Czech lands. Strougal's most important victory to date was the purge of liberals from the party organization of the important industrial region based in Ostrava. Other liberal regional party bodies are under attack, as is the Prague city committee.

Rumors are rife about imminent sweeping purges of the army, the Czech (as distinct from Slovak) government, and the Foreign Ministry, as well as in the party and among the press. Such rumors are exaggerated because neither Husak nor Strougal has sufficient control over the party or over the press at this point to turn his attention elsewhere.

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International Communist Conference: The Rumanian and Italian delegations would probably register dissents at the international Communist conference in Moscow next month if the Soviets are intransigent on the most controversial issues.

The Rumanians have made it clear that they will continue to object to the principal document that will be presented. In a communiqué issued after a one-day party plenum on 21 May, Bucharest announced that party leader Ceausescu will lead the delegation. Rumanian representatives--apparently to both the current preparatory talks under way in Moscow and the conference on 5 June--have a "mandate" to express Rumania's point of view and to work for the improvement of the conference document.

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Communist China - USSR: Peking's proposal to negotiate border demarcation problems with Moscow is intended to portray China's reasonableness and undermine Moscow's position in the dispute.

The timing of the announcement suggests that the Chinese might be trying to embarrass the Soviets on the eve of the world Communist conference.

Peking made a lengthy statement on 24 May responding to an earlier Soviet offer to reopen talks that had failed in 1964. The Soviet offer, made on 29 March, was contentiously worded and obviously made for propaganda purposes. The Chinese reply is in the same spirit.

The Chinese statement repeats long-standing demands that Moscow recognize the treaties establishing the frontiers as "unequal treaties." Peking certainly expects Moscow to reject this condition since the Soviets have consistently refused to give the Chinese an opening which would legitimize China's claims to Soviet territory. After the military clashes last March, Peking stated that the 1964 border talks had foundered on this same issue. The Chinese probably hope that a Soviet rejection of Chinese terms will make Moscow appear to be the insincere party in the dispute.

Moscow has been using the border problems *inter alia* to influence Communist attitudes against the Chinese in preparation for the world Communist conference. By ostensibly demonstrating a willingness to negotiate at this time the Chinese may hope to undercut the Soviet effort.

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Bolivia: President Siles has made some political gains in recent weeks, but his position still depends on his shaky alliance with armed forces Commander in Chief Ovando.

A number of observers believe that Siles' search for popularity has led him to blatantly demagogic posturing that could cause him serious problems in coming months. Since he assumed the presidency after Barrientos' death last month, for example, Siles has held out exaggerated hopes to students, teachers, and miners and has made no effort to check criticism of a contract with a US-owned company to build a pipeline to Argentina.

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**[** Venezuela: Student disturbances may resume today in Caracas.

The city was relatively quiet during the weekend, but students are poised for further action. Large-scale violence could erupt if a Communist student leader wounded on 22 May should die.



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Venezuelan authorities have expressed concern over demonstrations that have occurred elsewhere in the country. In Maracaibo, at least 30 students were arrested on Thursday, and the army may have to be called in to assist the national guard, which is already on duty.



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Hungary: Budapest, according to a Hungarian foreign trade official, will initiate preliminary discussion next month with the General Agreement on Tariffs and Trade (GATT), with a view toward eventual accession.

Hungary's interest in talks with GATT at this time probably is designed largely to obtain nondiscriminatory treatment for its exports to the Common Market. To enhance Budapest's case, the official claimed that as a result of economic reforms introduced in January 1968, Hungary's foreign trade system is comparable to that of the GATT member states, and that Budapest is therefore eligible for membership.

The official added, however, that Hungary is in no hurry to join GATT. He claimed Hungary would not be in a position to negotiate tariff concessions with GATT members for two or three years because Hungarian companies have been granted tariff exemptions during this period by the Budapest government.

The Hungarians are aware that US legislation currently prohibits extension of most-favored-nation treatment, but they nevertheless are seeking US support for their case before GATT. Although Budapest realizes that the US would be required to invoke a GATT waiver clause prohibiting the US from granting most-favored-nation treatment, the Hungarians calculate that any indication of US support would be helpful.

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NOTE

USSR-Czechoslovakia: Soviet Deputy Premier Baybakov heads an economic delegation that went to Prague on 23 May for talks with Czechoslovak leaders. The Czechoslovak news agency has said that Baybakov will discuss the further development of economic cooperation and the coordination of bilateral economic plans. Although Soviet economic aid may also be discussed, the USSR probably will take a hard look at Husak's over-all performance before deciding on credits for Prague.

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